

August 3, 1959

Mr. R. J. Stoehr
Homestake Mining Co.
Grants, New Mexico

Dear Dick:

Thanks for sending me the memo covering Severance Tax meeting held on July 28th.

I have reviewed the committee's suggestions and they are in complete accord with my personal viewpoints. The committee did an excellent job.

Yours truly,

T. O. Evans
Chief Mining Engineer

TOE-c

Tom Evans.
Haystack Mt. Dev Co.
Prewitt New Mexico

Memo on Severance Tax
Meeting at Homestake-Sapin
July 28, 1959

Gentlemen:

At a meeting of the uranium industry the following proposals were generally agreed upon:

- A. Further press for a visit by Revenue Bureau officials to the Grants Area mining and milling operations.
- B. Proposed revision of Regulation 4.1. A copy is attached.
- C. Obtain a common basis for preparation of severance tax reports and payments, according to our revised regulations attached.
- D. Suggest a revision of the new tax report, after obtaining other minerals tax report forms.
- E. Appointed a committee to represent the industry on the above matters. Members of this committee should be contacted for any suggestions of questions on this regulation or other matters pertaining to the industry's severance tax position.

Your active support and suggestions will be appreciated.

Committee Members

Don Delicate - Homestake-Sapin Partners
Jack Doyle - Calumet & Hecla, Inc.
Albert Fitch - Anaconda Company
Ray M. League - Phillips Petroleum Company
P. A. Puttroff - Kermac Nuclear Fuels Corporation
R. J. Stoehr - Homestake-New Mexico Partners
Rusty Rapaport - Four Corners Exploration Company

Tom: I sure would be interested in any comments you have?

RJ Stoehr.

PROPOSED REVISED REGULATIONS

STATE OF NEW MEXICO
BUREAU OF REVENUE
SEVERANCE TAX DIVISION

Sev. Reg. 4.1
July 1, 1959

Sev. Reg. 4.1 URANIUM VALUATION PROCEDURE.—In order to establish a uniform basis for valuation of uranium the following procedure will govern:

A. Definitions.—For the purposes of regulations relating to severance tax on uranium:

(1) "Hoisting" means moving ore from a mine working face to the surface and/or surface place of storage by means of equipment designed or used for that purpose. Mine working face shall be the point at which the ore is severed.

(2) "Loading" means the actual loading of ore into conveyance for removal from the mine or surface place of storage at the mine.

(3) "Crushing" means the reduction and/or preparation of ore to place it in a marketable form.

(4) "Posted field price" means the price per ton computed on the grade of ore produced and the composite schedule of minimum prices provided by the Atomic Energy Commission based on Circular 5 Revised and Circular 6. The posted field price shall consist of the Base Price per ton, and the grade premium.

B. Reported Value

Those producing ore having a posted field price will figure their value to be reported as the posted field price, less deductions for hoisting, loading and crushing as defined in this regulation. These producers do not deduct any freight.

C. Deductable Costs—Computation.—Under the deductible activities, the taxpayer may include:

(1) Labor costs, attributable to the deductible activity.

(2) Cost of machinery rental, repair and depreciation of equipment attributable to the deductible activity.

(3) Cost of utilities, supplies and services may be allocated, but only that portion attributable to the deductible activity.

D. Non-Deductable costs.--The taxpayer may not include directly or indirectly in his deductions any expense for:

Drilling Blastholes
Blasting
Boring
Explosives
Surface Drilling
Geology
Exploration
Long Hole Drilling
Waste Development
Stripping
Assaying
Grade Control
Shaft Sinking

The effective date of this regulation is July 1, 1959.

E. S. Walker, Commissioner
New Mexico Bureau of Revenue

Charles E. Bassett, Director
Severance Tax Division

Filed _____, 1959

at the hour of _____

Supreme Court Librarian